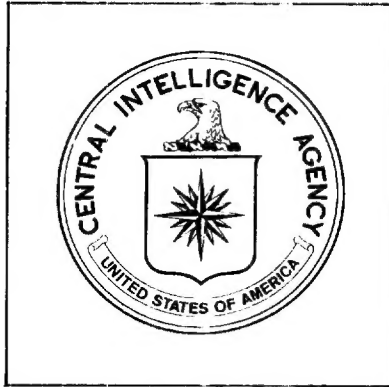


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STAFF NOTES:

Developments in Indochina

Secret

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DEVELOPMENTS IN INDOCHINA

This publication is prepared for regional specialists in the Washington community by the East Asia - Pacific Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

CONTENTS

February 18, 1975

LAOS

Resettlement of Refugees Continues. 1

Most Foreign Aid
Donors Remain Parsimonious. 3

SOUTH VIETNAM

A New Look
at the "Third Force". 9

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LAOS

Resettlement of Refugees Continues

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The resettlement of refugees in Laos, which began January 29 with an airlift of about 140 refugees from Vientiane to Phong Savan on the Plaine Des Jarres, is proceeding smoothly. According to passenger lists prepared by the coalition government's Joint Central Commission and the UN High Commission for Refugees (UNHCR), which is providing 2 million dollars for the resettlement effort, as of February 9 approximately 3,200 refugees had boarded flights for the Communist zone. If repatriation continues at the current rate, more than 8,000 refugees will have begun the resettlement process by March 1.

The airlift is being conducted by a combination of non-Communist military and civilian (Royal Air Lao --RAL) aircraft. The military flights have been landing at Phong Savan, the site of the prisoner-of-war exchanges last fall; RAL has been using a grassy strip at Xieng Khouang, approximately 6 miles to the west. Although US nationals have been piloting the RAL planes, the Pathet Lao have not objected to landings in the Communist-administered zone.

Unconfirmed reports indicate that the Pathet Lao may be planning to involve the Soviet Union in resettlement operations. On February 13, five Soviet personnel, including an Aeroflot representative, and two Pathet Lao officials, reportedly flew from Vientiane to Xieng Khouang to inspect the airfield.

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the Pathet Lao do not intend to return all the refugees to their native homes. After arriving in the Communist zone,

February 18, 1975

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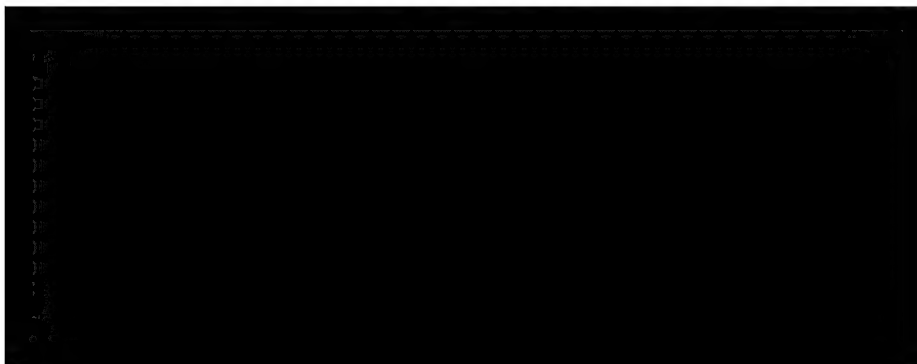
the refugees are given temporary quarters in nearby villages. Later they will be split into groups and placed in "planned" villages. For some of the refugees, there are no homes or villages to return to since many were destroyed during the war and the Pathet Lao have not yet rebuilt them. In some villages, land formerly worked by the refugees has been given to others. If the refugees cannot clear and prepare new land in time to plant a crop this year, they may be forced to rely upon the Pathet Lao for support--an obligation the Communists would like to avoid.

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[REDACTED]

Later, however, representatives of the UNHCR will accompany Joint Central Commission teams on inspection tours of refugee villages, an arrangement agreed to by the Pathet Lao to secure UN financing of the resettlement program. (CONFIDENTIAL)

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February 18, 1975

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~~SECRET~~Most Foreign Aid Donors Remain Parsimonious
[REDACTED]

The financially strapped coalition government has dispatched four aid-seeking delegations in the past three months. Although 14 European countries, including the Soviet Union, and four Asian countries, including Japan, were visited, only about \$16 million in aid--mostly in the form of commodities--was pledged. Three countries--West Germany, the Netherlands, and Japan--accounted for nearly \$13 million of the total amount pledged. Combined with the meager commitments secured by the first aid-seeking mission in October, the latest pledges should further convince Lao leaders that the US, which has provided more than 80 percent of all aid given over the years, will remain the country's largest donor, and that most other foreign countries are still unwilling to supply large handouts to solve the country's serious economic problems.

Europe: Mixed Results

Two of the recent delegations, one led by non-Communist Defense Minister Sisouk na Champassak and the other by Communist Economics Minister Soth Phetrasy, visited nearly all the major European countries. The Soth delegation, which hit nine European capitals plus Moscow, fared badly in Western Europe. They received some words of encouragement and a few weak promises, but little financial or commodity assistance. In Switzerland they were met only by a limousine and a driver and had to pay all their own hotel and food bills. They never met any major government officials and received no promises of aid. The delegation received similar treatment in Austria and Denmark, although both governments did promise-- [REDACTED] to help Laos seek aid from the International Red Cross, UNICEF, and some private groups.

February 18, 1975

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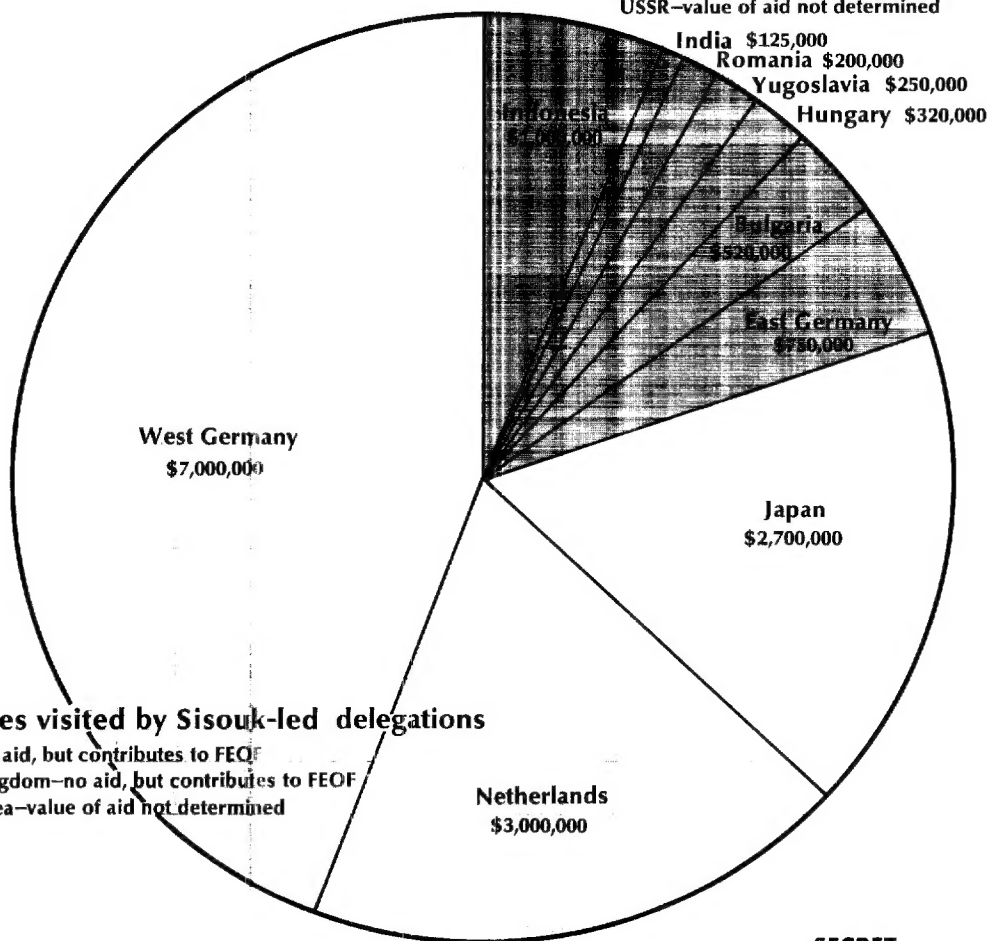
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Aid to Laos

Approximate value of
total aid commitment
\$16,000,000

Countries visited by Soth-led delegations

Sweden—previous commitment of \$2½ million
Austria—no aid received
Denmark—no aid received
Switzerland—no aid received
USSR—value of aid not determined



Countries visited by Sisouk-led delegations

France—no aid, but contributes to FEOF
United Kingdom—no aid, but contributes to FEOF
South Korea—value of aid not determined

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Sweden merely confirmed promises of aid it had already pledged.

The Sisouk-led delegation made stops in Great Britain, France, the Netherlands, and West Germany. Although Sisouk left London and Paris with empty shopping baskets, he did secure new aid commitments from Bonn and The Hague. West Germany affirmed a low interest loan of about \$6 million and two grants totaling approximately one million dollars for commodity and technical assistance. The Netherlands promised a grant of \$3 million and reportedly expressed an interest in contributing to the Foreign Exchange Operations Fund (FEOF),* a multinational institution that finances most Lao imports.

Compared to cool receptions in Western Europe, Soth and troupe were given warm welcomes--but little aid--in the five East European countries they visited. Reportedly, East Germany promised \$750,000 in commodity aid--mostly medicines, textiles, and food--while Hungary, Romania, Bulgaria, and Yugoslavia made similar commodity commitments totaling some \$1.7 million. Belgrade also expressed an interest in investing in mineral exploration in Laos, particularly for iron ore.

USSR: Great Expectations

Contrary to expectations, the Soviets committed themselves to very little and were unexpectedly tough bargainers. In his report to the cabinet, Soth complained that the Soviets expressed little interest in

**Current members of FEOF are the United States, Japan, France, the United Kingdom and Laos. Contributions in the past several years have averaged \$25-30 million.*

February 18, 1975

SECRET

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helping Laos and handled his delegation poorly. Following its arrival in Moscow on December 26, the Lao delegation made an initial request to the Soviets for commodity aid in the amount of 30,000 tons of oil and 15,000 tons of pharmaceuticals. A Soviet deputy commerce minister flatly refused the request. He pointed out that Laos has no storage facilities for that amount of oil. As for pharmaceuticals, he firmly told the Laotians that expensive antibiotics such as penicillin could not be provided. The Soviets did agree to study a list of other commodities requested by the Laotians. Moscow also agreed to contribute materials for several construction projects in the Pathet Lao zone:

- three bridges;
- a 150-bed hospital in Phong Savan;
- expansion of housing facilities at Phong Savan to accommodate 2,000 people;
- an 8,000 cubic meter fuel storage tank in Sam Neua;
- and a repair facility in Sam Neua capable of handling 100 vehicles per year.

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Indonesia: A Million Dollar Vote for the Coalition

On January 30, Jakarta announced it would extend a one million dollar, 30-year, interest-free loan to Laos. According to an official government press release, half of the loan will be in the form of foreign exchange to support the Lao kip. The other half will

February 18, 1975

SECRET

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be used for imports of goods from Indonesia, especially textiles. Jakarta will also offer technical assistance in the fields of agriculture and resource exploitation. In addition, the Indonesians promised to try to persuade the World Bank, the Asian Development Bank, and other international agencies to increase aid to Laos.

The loan--the first by Indonesia to a foreign country--has little economic significance, but is viewed by the US embassy in Jakarta as politically important. According to the embassy, it is a sign of Indonesian interest in the survival of a Lao neutralist regime in an area threatened by Communists--and it is in obvious contrast with Jakarta's unwillingness to make financial contributions to Cambodia. In addition, the embassy sees the loan as an expression of Indonesian interest in drawing Laos into closer relations with--and perhaps ultimately membership in--ASEAN.

Japan: More Aid from a FEOF Contributor

In addition to its \$2.5-3 million contribution to FEOF, Tokyo promised approximately \$2.7 million in construction and commodity assistance. The Laotians also requested Japan's cooperation in building a rail and road bridge across the Mekong--presumably opposite the Thai railhead town of Nong Khai, approximately ten miles southeast of Vientiane--and in the construction of an all weather highway from Vientiane to the North Vietnamese port of Vinh. Japan is more likely to be interested in the bridge project since it would facilitate the export of bulky raw materials such as iron ore and timber from Laos.

Aid-Seeking Missions:

A Long-Lived Feature of a Neutral Laos

Laos will need to put aid-seeking delegations on the road for some time to come. Although results will

February 18, 1975

-7-

SECRET

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probably remain unspectacular, any foreign-donated financial or commodity assistance will be important to the Lao economy since:

- Inflow of private capital for development is unlikely to materialize to any significant extent as long as political and economic conditions are uncertain.
- Export potential, except for timber, is limited largely because of inadequate transport facilities and the location of some of the best mineral deposits in the Pathet Lao zone.
- Greater production and eventual self-sufficiency in rice, livestock, and other agricultural products are dependent upon difficult technical and institutional problems such as expanding irrigation facilities and training cadre of agricultural experts. (SECRET NO FOREIGN DISSEM/CONTROLLED DISSEM)

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February 18, 1975

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SOUTH VIETNAM

A New Look at the "Third Force"

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The South Vietnamese Communists appear to be taking a new look at the mercurial band of oppositionists and exiles who comprise the so-called "third force." The southern Communist headquarters --COSVN--has issued a new directive urging more effort to cultivate "third force" elements in South Vietnam, [REDACTED]

COSVN does not exhibit any real confidence that its urban political apparatus can take advantage of the current outbreak of anti-Thieu opposition--or that it can be effective in persuading the opposition that the Viet Cong brand of socialism is better than Thieu's style of democracy. But the instructions clearly imply it is time to start.

Not since shortly after the signing of the Paris agreements two years ago have the Viet Cong shown any real interest in manipulating opposition groups in South Vietnam, but now they apparently believe they can capitalize on President Thieu's current domestic and international problems.

Recognizing that most political opposition is centered in the cities, cadre are being told to spruce up their urban operations, begin penetrating opposition groups, and start proselytizing "intellectuals and other elements of the bourgeois class." The initial emphasis is to be placed on extreme leftist groups, such as Madame Ngo Ba Than's Committee Demanding the Implementation of the Paris Agreement. Targeting of other opposition elements currently causing problems for the Thieu government, such as the Buddhist-backed National Reconciliation Force, will apparently await an evaluation of the strength and capabilities of the Viet Cong's urban apparatus.

February 18, 1975

SECRET

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The COSVN instructions indicate that the southern Communist leadership has a new appreciation of the need for greater political sophistication in trying to manipulate legitimate opposition groups. In the past, Viet Cong political operatives have been particularly inept and inflexible in the art of political persuasion. This time around they are being urged to understand that the "third force" embodies individuals whose political beliefs cover a wide spectrum, and that many are in fact "in close relationship with imperialism." Third force elements, according to COSVN, do not necessarily completely subscribe to imperialism, but neither do they fully accept socialism. Cadre must work hard to exploit the conflicts in the capitalist philosophy and use considerable skill and expertise to persuade third force groups to support the objectives of the Viet Cong revolution. The COSVN instructions suggest that the most useful themes to concentrate on in any dialogue with third force elements are independence and "neutrality." (SECRET NO FOREIGN DISSEM/CONTROLLED DISSEM)



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February 18, 1975

-10-

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